

BREMER-WAVERLY PUBLIC SAFETY BOARD

Independent Auditor's Report
Financial Statements
Auditor's Report on Compliance
& Internal Control

June 30, 2004 & 2003

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BREMER-WAVERLY PUBLIC SAFETY BOARD

BOARD OF DIRECTORS

At June 30, 2004

VOTING MEMBERS:

Jim Block	Chairman	Member-Bremer County Board of Supervisors
Gary Boorom	Vice-Chairman	Member-Waverly City Council
Daryl Behnke	Board Member	Member-at-Large
Gaylord Hinderaker	Board Member	Member-Bremer County Board of Supervisors
Fred Ribich	Board Member	Member-Waverly City Council

NON-VOTING ADVISORY MEMBERS:

Duane Hildebrandt	Secretary/Treasurer	Bremer County Sheriff
Art Simpson	Advisory Member	Waverly Chief of Police

Independent Auditor's Report

To the Board of Directors
Bremer-Waverly Public Safety Board

I have audited the accompanying financial statements of the governmental activities which comprise the Board's basic financial statements listed as exhibits in the table of contents of this report, of the Bremer-Waverly Public Safety Board as of June 30, 2004 and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with U.S. generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

The Organization has not maintained a record of its general fixed assets at cost and, accordingly, a statement of general fixed assets at cost, required by U.S. generally accepted accounting principles, is not included. Also, as described in Note 1, the Organization's financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly in all material respects except for fixed asset balances, the respective cash basis financial position of the governmental activities of the Bremer-Waverly Public Safety Board at June 30, 2004, and the respective changes in cash basis financial position for the years ended June 30, 2004 and 2003 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 2, 2004 on my consideration of Bremer-Waverly Public Safety Board's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

As described in Note 6, during the year ended June 30, 2004, the Board adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 13 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read "Keith Oltrogge".

Keith Oltrogge
Certified Public Accountant

December 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bremer-Waverly Public Safety Board provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Board's financial statements, which follow.

Because the Board is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Board's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the Board's governmental activities increased 24.5%, or approximately \$32,600, from fiscal 2003 to fiscal 2004. Bremer County support increased approximately \$30,800 and City of Waverly support increased \$3,500.
- Disbursements increased 25.3%, or approximately \$25,700, in fiscal 2004 from fiscal 2003. Equipment and land purchased increased by \$26,820 and computer support increased by \$1,300, approximately.
- The Board's total cash basis net assets increased 33%, or approximately \$39,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Board's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the Board as a whole and presents an overall view of the Board's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Board's budget for the year.

Basis of Accounting

The Board maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Board are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE BOARD'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the Board's finances is, "Is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps answer this question.

The Statement of Activities and Net Assets presents the Board's net assets. Over time, increases or decreases in the Board's net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities and Net Assets is from one activity:

- Governmental Activities include public safety, general government, and capital projects. County and City grants finance most of these activities.

Fund Financial Statements

The Board has one fund:

- A governmental fund accounts for all of the Board's basic services. This fund focuses on how money flows into and out of the fund, and the balance at year-end that is available for spending. The governmental fund is the General Fund. The governmental fund financial statements provide a detailed, short-term view of the Board's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Board's cash balance increased sharply from a year ago, increasing from \$118,163 to \$157,356. The analysis that follows focuses on the changes in cash balances.

	<u>Changes in Cash Basis Net Assets</u>	
	<u>Year Ended June 30,</u> <u>2004</u>	<u>2003</u>
Receipts	\$ 166,225	\$ 133,568
Disbursements	\$ 127,032	\$ 101,373
Increase in cash basis net assets	\$ 39,193	\$ 32,195
Cash basis net assets beginning of year	118,163	85,968
Cash Basis Net Assets End of Year	\$ 157,356	\$ 118,163

The Board's total receipts increased by 24.5%, or \$32,657. The total cost of all services increased by \$25,659, or 25.3%, with the Law Center Building construction project beginning this year. The significant increase in receipts was primarily the result of proceeds received from Bremer County and the City of Waverly in support of the construction project.

NEXT YEAR'S BUDGET

The Bremer-Waverly Public Safety Board expects revenues from the City of Waverly to be reduced for 2005 to \$90,118, a reduction of \$24,877 or 21.6%. The Bremer County revenues will be \$42,913, in 2005, a reduction of \$6,361 or 12.9%. Accordingly, expenditures will decrease by \$21,234 or 12.9%. If these estimates are realized, the Safety Board's cash balance is expected to decrease by approximately \$28,000 by year end June 30, 2005.

The Bremer-Waverly Public Safety Board is keeping a larger than normal cash balance to support the Law Center construction project (Note 5). Costs of the building construction are being paid for by Bremer County through local option tax financing. The Bremer-Waverly Public Safety Board is providing radio, computer and other interior furnishings for the project.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Duane Hildebrandt, Bremer County Sheriff, 111 4th Street NE, Waverly IA 50677.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
At June 30, 2004

Functions/Programs	Disburse- ments	Program Receipts		Net
		Charges For Services	Operating Grants	
Governmental Activities:				
Public Safety	\$ 127,032	\$ 1,946	\$ 164,279	\$ 39,193
Cash Basis Net Assets-Beginning of Year-Unrestricted				<u>118,163</u>
Cash Basis Net Assets-End of Year- Unrestricted				<u>\$ 157,356</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES ARISING FROM CASH TRANSACTIONS

For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Operating Grants:		
Bremer County	\$ 114,995	\$ 84,232
City of Waverly	49,284	43,757
Charges for Services:		
Drivers Records and Miscellaneous	1,946	5,579
Total Receipts	<u>\$ 166,225</u>	<u>\$ 133,568</u>
Disbursements:		
Public Safety:		
Supplies	\$ 2,392	\$ 1,831
Office Supplies & Postage	4,246	5,779
Telephone	11,617	10,488
Utilities	17,320	19,070
Repairs & Maintenance	20,522	18,820
Insurance	7,556	7,067
Audit Fee	800	725
Miscellaneous	950	547
Equipment & Land Purchased	28,439	1,619
Contract Labor	26,192	29,772
Computer Support	6,998	5,655
Total Disbursements	<u>\$ 127,032</u>	<u>\$ 101,373</u>
Excess of Receipts Over Disbursements	\$ 39,193	\$ 32,195
Cash Balance-Beginning of Year	<u>118,163</u>	<u>85,968</u>
Cash Balance-End of Year	<u>\$ 157,356</u>	<u>\$ 118,163</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Safety Board is a non-profit organization established as the owner of the Bremer-Waverly Law Center Building as a joint undertaking of Bremer County and the City of Waverly as authorized by Chapter 28E of the Code of Iowa.

The Safety Board is exempt from income tax under the Internal Revenue Code and the Iowa income tax law, which provide tax exemption for governmental entities.

B. Basis of Presentation

Government-wide Financial Statements-The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Board. For the most part, the effect of inter-fund activity has been removed from this statement.

The Statement of Activities and Net Assets presents the Board's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as generally receipts.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements-Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Board reports the following major governmental fund:

The General Fund is the general operating fund of the Board. All receipts are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Bremer-Waverly Public Safety Board maintains its financial records on the cash basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of such funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – RELATED PARTIES

The Bremer-Waverly Public Safety Board establishes an operating budget each year for the Law Center Building operating expenses. The City of Waverly pays approximately 30% of this budget and Bremer County pays approximately 70% of this budget as its rent for the Law Center Building. Two City Council members and two County Board of Supervisors members are members of the Safety Board's Board of Directors.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Safety Board's deposits at June 30, 2004 exceeded federally insured limits by \$57,356. The Board believes it is not exposed to any significant credit risk on cash.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 4 – RISK MANAGEMENT

The Bremer-Waverly Public Safety Board is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – COMMITMENTS

A construction project for an addition to the existing Law Center Building is in progress and will cost approximately \$3.7 million. Funding is being administered by Bremer County through the sale of local option sales tax revenue bonds.

On May 10, 2004, the Safety Board agreed to purchase a new computer system for \$86,845. Of this amount, \$13,027 had been paid by June 30, 2004.

On April 12, 2004, the Safety Board agreed to also purchase a new phone system for \$16,525 in connection with the construction project that is in progress, which was not paid at June 30, 2004.

NOTE 6 – ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the Board's financial activities.

BREMER-WAVERLY PUBLIC SAFETY BOARD
Waverly, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2004

	2004 Fund Balance Actual	2004 Budgeted Amounts	Net Variance	Actual % Of Budget
Receipts	\$ 166,225	\$ 164,278	\$ -1,947	101.2%
Disbursements:				
Support Services-Administration:				
Supplies	\$ 2,392	\$ 3,800	\$ -1,408	62.9%
Office Supplies & Postage	4,246	4,875	-629	87.1%
Telephone	11,617	15,000	-3,383	77.4%
Utilities	17,320	26,000	-8,680	66.6%
Repairs & Maintenance	20,522	59,600	-39,078	34.4%
Insurance	7,556	8,315	-759	90.9%
Audit Fee	800	800	-	100.0%
Miscellaneous	950	1,100	-150	86.4%
Equipment & Land Purchased	28,439	4,950	23,489	574.5%
Contract Labor	26,192	31,938	-5,746	82.0%
Computer Support	6,998	7,900	-902	88.6%
Total Disbursements	\$ 127,032	\$ 164,278	\$ -37,246	77.3%
Excess of Receipts Over Disbursements	\$ 39,193	\$ -	\$ 39,193	
Balance Beginning of Year	118,163			
Balance End of Year	\$ 157,356			

Notes to Required Supplementary Information-Budgetary Reporting. The Safety Board annually adopts a budget on the cash basis, which is submitted to the City of Waverly and Bremer County for their funding approvals.

Keith Oltrogge CPA
201 East Main Street
Denver, Iowa 50622

Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting

To the Board of Directors
Bremer-Waverly Public Safety Board

I have audited the financial statements of the Bremer-Waverly Public Safety Board as of and for the years ended June 30, 2004 and 2003, and have issued my report thereon dated December 2, 2004. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, and did not present fixed asset balances. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bremer-Waverly Public Safety Board's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Safety Board's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Safety Board. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Bremer-Waverly Public Safety Board's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bremer County and the City of Waverly and other parties to whom the Bremer-Waverly Public Safety Board may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

December 2, 2004